

Public Employees' Retirement Board

February 12, 2015

Topic: Remove PIMCO Total Return Bond Fund (PTRAX) from 457(b) investment options and Replace it with the Prudential Total Return Fund (PRTQX)

Based on a recommendation from Buck Consultants, EIAC supports replacing the PIMCO Total Return Bond Fund with Prudential Total Return Bond fund.

Rationale: From January 1, 2013 through December 31, 2014, the Total Return Bond Fund has seen over \$145 billion in cash outflows. \$80 Billion of the outflows have occurred since September 26, 2014 following the departure of Bill Gross, PIMCO's co-founder and portfolio manager of the Total Return Fund.

Due to Mr. Gross's departure, concerns related to the size and speed of client outflows, departure of other senior investment professionals, and other organizational changes within PIMCO, Buck issued a recommendation to all clients to sell the Total Return Fund.

Timeline:

1. **3/1/2015** – Written notification of fund termination to participants who are currently investing in the fund.
2. **4/30/2015** – Add new Prudential (PTRQX) fund to 457(b) fund options.
3. **05/29/2015** – transfer any remaining investments from to PTRAX.
4. **05/29/2015** – at close of market, remove PIMCO Total Return Fund (PTRAX) from option list.

Recommended Board motion:

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Move to accept EIAC and Buck's recommendation to replace the Total Return Bond fund in the 457(b) plan with Prudential Total Return Fund.

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Recommend _____.

Moved by

Seconded by

Vote